

OFFICE OF THE AUDITOR GENERAL

231

REPORT ON THE EFFECT OF THE
DEPARTMENT OF EDUCATION'S REORGANIZATION
AND MATRIX MANAGEMENT SYSTEM ON THE
VOCATIONAL EDUCATION SUPPORT UNIT

OCTOBER 1974

Joint Legislative Audit Committee

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October 31, 1974

The Honorable Speaker of the Assembly
The Honorable President of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to the effect of the State Department of Education's July 1973 reorganization and adoption of a matrix management system on the department's Vocational Education Support Unit.

The Vocational Education Support Unit is responsible for administering the state's efforts relating to the vocational education programs for grades 9 through 12 and for adult education. The function of this unit is to assist California public schools in developing programs to insure that every student leaving school is prepared to enter the world of work. Funds for support of the Vocational Education Support Unit are provided entirely by the federal government.

In 1972, the Superintendent of Public Instruction adopted a matrix management system to be implemented in July 1973. The objective of this system is to coordinate the activities of the Department of Education in order that the department can more effectively serve the school districts. Under this system, the various education programs (general education, special education, compensatory education, child development and vocational education) are combined

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into the elementary, secondary and adult education age-span groups. Matrix teams are organized as part of the matrix management system to assist school districts in preparing consolidated applications for available funds and to develop departmental priorities for the three age-span groups.

Of the 176 full-time positions budgeted for the Vocational Education Support Unit for fiscal year 1973-74, 21 positions were administratively assigned to matrix teams. These positions reassigned to matrix teams were not replaced. Instead, the remaining vocational education staff was required to assume the functions of the positions reassigned. Therefore, the department reduced some federal and state-mandated vocational education service to school districts, such as providing in-service training to vocational education instructional staff and determining compliance in the expenditure of federal funds.

The departmental reorganization has not been readily accepted by many vocational education employees. However, despite problems in vocational education program administration and despite employee reluctance to accept the departmental reorganization, matrix team members have stated that the vocational education staff achieve a better understanding of other education programs, and have stated that staff from other education programs obtain a better understanding of vocational education programs.

The Auditor General has concluded that vocational education can, in principal, be appropriately administered through the department's matrix management system. Whether vocational education is appropriately administered or not under this system depends upon acceptance of the new management system by employees, and upon managerial capacity to meet the increased needs under the new management system to coordinate, communicate and set priorities.

Time distribution records or other documents to provide a basis for charging the salaries of vocational education employees assigned to matrix teams as direct costs of the 100 percent federally funded vocational education program

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were not maintained. Based on interviews, it was determined that a total of five man-years in fiscal year 1973-74, charged to the department's Vocational Education Support Unit, were not expended on activities directly related to vocational education. Due to the lack of records, it could not be determined if these five man-years were offset by time spent on vocational education by persons assigned to matrix teams from other education programs.

The administrative overhead rate charged to vocational education for fiscal year 1973-74 was 27 percent. For fiscal year 1974-75 the proposed rate is 31.6 percent. This proposed increase results primarily from certain costs charged directly to education programs in fiscal year 1973-74 which in fiscal year 1974-75 are to be charged indirectly as part of the overhead rate.

Respectfully submitted,

A handwritten signature in cursive script, reading "Vincent Thomas".

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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INTRODUCTION

In response to a legislative request, we have reviewed the effect of the State Department of Education's July 1973 reorganization and adoption of a "matrix" management system on the department's Vocational Education Support Unit. We did not visit school districts to determine the effect, if any, of the reorganization on school district vocational education programs.

It is the stated policy of the Legislature with regard to vocational education (Section 7504 of the Education Code, enacted in 1971) "...to provide an educational opportunity to every individual to the end that every student leaving school should be prepared to enter the world of work; that every student who graduates from any state-supported educational institution should have sufficient marketable skills for legitimate remunerative employment; and that every qualified and eligible adult citizen should be afforded an educational opportunity to become suitably employed in some remunerative field of employment."

To insure that this policy is met, the department has established the Vocational Education Support Unit which is responsible for administering the state's efforts relating to vocational education programs. Specifically, the Vocational Education Support Unit administers for the state the vocational education programs offered by California public schools, grades

9 through 12 and for adult education. The function of this unit is to assist California public schools in developing programs that ensure every youth and adult an opportunity for gainful employment. The programs include training in the instructional areas of agriculture, marketing, health, homemaking, office work, technical, and trade and industry. Individual subjects are taught within these major instructional areas. The State Department of Education estimates that approximately 20 percent of all grade 9 through 12 students are enrolled in occupational preparation programs.

Prior to 1974, a primary emphasis of the Superintendent of Public Instruction was improving elementary education. The initial priority of the matrix management system has been elementary education. The Superintendent of Public Instruction is now shifting emphasis to reform of secondary education. Vocational education is an integral part of secondary education. Elementary education includes kindergarten through grade 6, and secondary education includes grades 7 to 12.

The State Department of Education's Vocational Education Support Unit was budgeted approximately 188 man-years and \$6.6 million for fiscal year 1973-74. Funds for the support of the Department of Education's Vocational Education Support Unit are provided entirely by the federal government. Vocational education programs of individual California public schools are funded by the federal government, state apportionments and local taxes.

INFORMATION REQUESTED BY
THE LEGISLATURE

EFFECT OF DEPARTMENTAL REORGANIZATION
ON VOCATIONAL EDUCATION

Prior to the 1973 departmental reorganization, the Department of Education's program of instruction was composed of various separately funded and administered state and federal educational programs.

In 1970, the Superintendent of Public Instruction commissioned a task force of departmental administrators to determine alternatives to the existing department organization in order to integrate education programs to achieve greater overall effectiveness. In 1971 the State Board of Education set a high priority on departmental reorganization.

In 1972, the Superintendent of Public Instruction adopted a matrix organizational structure, as described below, to be implemented in July 1973. The adoption of this new organizational structure was reported to the Legislature in the Governor's Budget for fiscal year 1973-74.

The objective of the matrix management system is to coordinate the activities of the Department of Education in order to more effectively serve school districts. Under the department's matrix management system, the various education programs (general education, special education, compensatory education, child development, and vocational education) are

combined into three age-span groups: elementary, secondary and adult education. The Education Program Matrix is shown below.

Education Program Matrix

		Age-Span Groups		
		Elementary	Secondary	Adult
Education Programs	General Education			
	Special Education			
	Compensatory Education			
	Child Development			
	Vocational Education			

There are separate managers for each education program and each age-span.

Education program managers pursue objectives, regulations, etc., clearly related to each separately funded program. Age-span managers coordinate education programs to achieve major objectives of the age-span.

Matrix teams are organized as part of the matrix management system to assist school districts in preparing consolidated applications for available funds and to develop departmental priorities for age-spans. The teams are staffed with personnel from education programs, such as, general education, compensatory (remedial) education, special education, child development and vocational education. Each team leader reports to his age-span manager.

Education program managers report through age-span managers to the Education Program Administrator (now Deputy Superintendent for Programs) who has overall responsibility for education programs. A chart showing the organization of the Vocational Education Support Unit and its relationship to the Education Program Matrix appears in Appendix A of this report.

In our judgment, vocational education can, in principal, be appropriately administered through the department's matrix management system. Whether vocational education is appropriately administered or not under this system depends upon acceptance of the new management system by employees, and upon managerial capacity to meet the increased needs under the new management system to coordinate, communicate and set priorities.

Some reductions in vocational education services have occurred under the matrix management system that may not have occurred under the prior management system in which each separately funded educational program was more autonomous.

Of the 176 full-time positions budgeted for the Vocational Education Support Unit for fiscal year 1973-74, 21 positions were administratively assigned to matrix teams. Only nine of these 21 positions were filled at the time they were assigned to matrix teams. The remaining twelve vacant vocational education positions assigned to matrix teams were subsequently filled. Prior to adoption of the matrix management system, seven of the unfilled positions and one of the filled positions had been transferred to task forces which are now called matrix teams. Vocational education staff reassignments to matrix teams within the Education Program Matrix are itemized in Appendix B of this report.

These vocational education positions reassigned to matrix teams were not replaced. The remaining vocational education staff was required to assume the functions of the positions reassigned. Therefore, the department reduced federal and state-mandated vocational education services to school districts as budgeted for fiscal year 1973-74, including:

- Assisting with curriculum development
- Providing in-service training to vocational education instructional staff
- Determining compliance in the expenditure of federal funds
- Assisting in developing vocational education programs of instruction including the activities of youth organizations, such as Future Farmers of America, Future Homemakers of America, the Vocational Industrial Clubs of America, and the Future Business Leaders of America, and participation at the state and county fairs.

The departmental reorganization has not been readily accepted by many vocational education employees. Employees state that, in some instances, expertise accumulated over a period of years has been sacrificed for the generalization required by matrix advisory teams. The temporary assignments to matrix teams cause some conflict and confusion in terms of loyalties and responsibilities.

In the 27 months since the matrix management system was adopted by the Superintendent of Public Instruction in July of 1972 for implementation beginning July of 1973, two persons have held the position of Education Program Administrator. The Education Program Administrator is in charge of the matrix management system. The first Education Program Administrator resigned in July 1973. There was a six-month period between July 1973 and January 1974 when the position was vacant. With this lack of continuity of leadership, internal struggles reportedly developed between age-span managers and education program managers.

The Education Program Administrator appointed in January 1974 is taking actions to identify employee morale problems related to the matrix management system and to improve communications with employees.

Despite problems in vocational education program administration and despite employee reluctance to accept the departmental reorganization, matrix team members and age-span managers reported to us that the vocational education staff achieve a better understanding of other education programs and staff from other education programs obtain a better understanding of vocational education programs. Thus, vocational education objectives may be more easily integrated with the educational objectives of the secondary and adult age-span groups. Therefore, the stated policy of the Legislature, which is to provide an educational opportunity to every individual to the end that every student leaving school should be prepared to enter the world of work, may be more easily achieved.

ACCOUNTING FOR VOCATIONAL
EDUCATION EMPLOYEES ASSIGNED
TO MATRIX TEAMS

According to the U. S. Department of Health, Education and Welfare July 30, 1974 audit report, the vocational education program administered by the California Department of Education's Vocational Education Support Unit, which is 100 percent federally funded, did not maintain time distribution records or other documentation to provide a basis for charging the salary of vocational education employees assigned to matrix teams as direct costs of the vocational education program. State Department of Education officials confirmed to us that, during fiscal year 1973-74, no such records were maintained by the department.

The U. S. Department of Health, Education and Welfare has recommended that the Department of Education revise its cost allocation plan to reflect the organizational changes within the Department of Education to assure that the vocational education program is charged only for those salary costs which can be attributed to it and an appropriate share of indirect costs. The State Department of Education concurred with the recommendation and plans to establish new accounting procedures but has not yet done so. These procedures would account for the time expended by matrix team members on various education support program assignments.

Based upon our interviews with vocational education staff assigned to matrix teams, we found that six vocational education staff members assigned to matrix teams during the period January 1974 through

June 1974 did not perform work related to vocational education for the entire six-month period. In addition, two vocational education staff members were assigned to the intermediate age-span manager (now called secondary age span) for the one-year period July 1973 through June 1974. These two employees performed work only indirectly related to vocational education as well as indirectly related to other education programs. Therefore, a total of five man-years in fiscal year 1973-74, charged to the department's Vocational Education Support Unit, were not expended on activities directly related to vocational education.

There are approximately 65 persons assigned to matrix teams from other education programs, such as compensatory education and child development. Because the department did not maintain records, we were unable to determine the extent to which the five man-years for persons assigned to matrix teams from the vocational education program that were not spent on activities directly related to vocational education, may have been offset by time spent on vocational education by the 65 persons assigned from other education programs.

ADMINISTRATIVE OVERHEAD COSTS
CHARGED TO VOCATIONAL EDUCATION

The Department of Education allocates administrative overhead costs to education programs for program evaluation and to obtain reimbursements for costs of certain programs from the federal government. In order to obtain federal reimbursement, the department is required to allocate administrative overhead costs to programs in accordance with the federal Office of Management and Budget Circular A-87. The department's overhead allocation is reviewed and approved by the U. S. Department of Health, Education and Welfare, and by the Audits Division of the California Department of Finance.

Administrative overhead costs are allocated to educational programs based on direct net salaries and wages. The administrative overhead rate charged to vocational education for fiscal year 1973-74 was 27 percent. For fiscal year 1974-75 the proposed rate is 31.6 percent.

The increase in the proposed administrative overhead rate for fiscal year 1974-75 results primarily from certain costs charged directly to education programs in fiscal year 1973-74, but which instead are to be charged indirectly as part of the overhead rate in fiscal year 1974-75.

Components of Administrative Overhead
Costs Charged to Vocational Education

Administrative Overhead
 Rates For Cost Estimating
 Purposes Expressed As A
 Percentage of Direct Net
Salaries and Wages
1973-74 1974-75 1/

Statewide Cost Allocation Plan

Costs of services received from other
 state agencies, such as the State
 Controller, Department of Finance,
 Department of General Services, State
 Treasurer, etc.

6% 5.9%

Departmental Management

Costs of State Department of Education
 executive offices and offices of Budget,
 Accounting, Contract Management, Business
 Services, Personnel, Legal and Internal
 Audits.

14 14.7

Division Administration

Costs of administration with Vocational
 Education Support Unit distributed to
 entities within the unit.

7 7.8

Matrix Management

Costs of age-span administration (charged
 directly in 1973-74).

- 3.2

Total

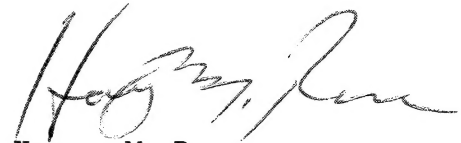
27% 31.6%

1/ Proposal approved by the Audits Division of the California Department
 of Finance, submitted to the federal Department of Health, Education
 and Welfare for approval on September 20, 1974. Federal approval had
 not been received as of October 24, 1974.

The administrative overhead rates charged for "statewide cost allocation plan", "departmental management" and "matrix management" are the same for the vocational education program as the rates charged to the department's other education programs.

SUMMARY OF COMMENTS OF
DEPARTMENT OF EDUCATION ADMINISTRATORS

Department administrators generally concurred with the information presented.

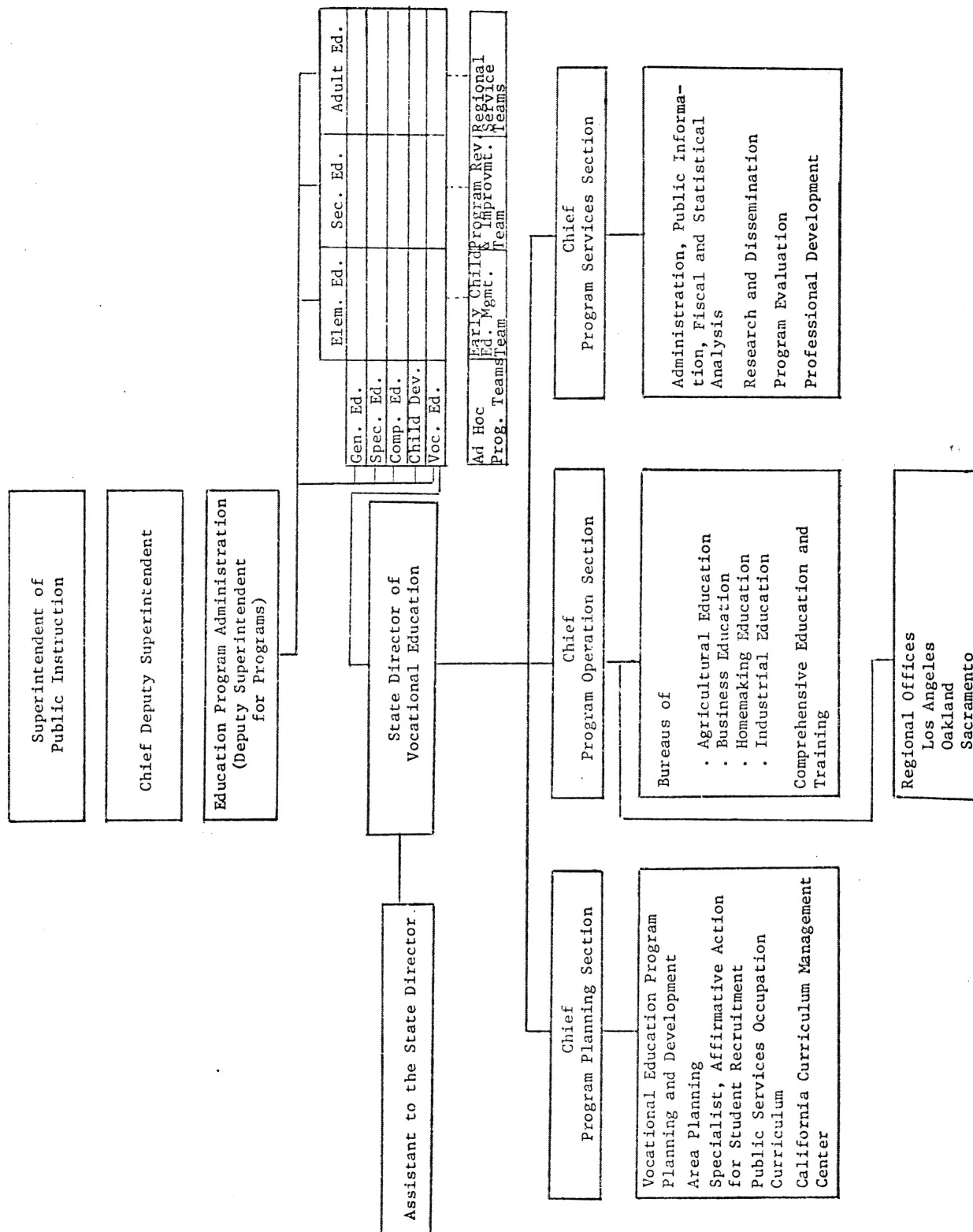


Harvey M. Rose
Auditor General

Date: October 29, 1974

Staff: Glen H. Merritt
John McConnell
Richard I. LaRock
Robert Christophel

ORGANIZATION OF
VOCATIONAL EDUCATION SUPPORT UNIT



VOCATIONAL EDUCATION STAFF
REASSIGNMENTS TO MATRIX TEAMS

Title of Positions Transferred From Vocational Education Support Unit During Fiscal Year 1973-74	Number of Positions
<u>Filled Positions:</u>	
Chief, Business Education Program Operations Unit	1
Vocational Education Supervisor, Southern Regional Office Program Operations Unit	1
Vocational Education Supervisor, Coastal Regional Office Program Operations Unit	1
Education Research and Evaluation Consultants, Program Services Unit	2
Project Specialist, Program Services Unit	1*
Stenographer II, Administration	2
Stenographer II, Business Education Program Operations Unit	<u>1</u>
Total filled positions	<u>9</u>
<u>Unfilled Positions:</u>	
Education Project Specialist III, Agriculture Education Program Operations Bureau	1*
Education Project Specialist I, Business Education Program Operations Unit	1*
Junior Staff Analyst, Industrial Education Program Operations Unit	1
Education Administration Assistant II, Industrial Education Program Operations Unit	1
Education Government Program Analyst, Industrial Education Program Operations Unit	1
Consultant in Teacher Education Program Services Unit	1*
Stenographer II, Business Education Program Operations Unit	1

	<u>Number of Positions</u>
Stenographer II, Administration	1*
Stenographer II, Industrial Education Program Operations Unit	<u>1</u>
Total unfilled positions	<u>9**</u>
<u>Newly Established Positions:</u>	
Education Project Specialist I	1*
Education Project Specialist II	1*
Consultant in Special Education	<u>1*</u>
Total newly established positions	<u>3**</u>
Total positions	<u><u>21</u></u>

* Seven unfilled positions and one filled position had been transferred to task forces prior to adoption of the matrix management system. These task forces are now called matrix teams.

** Total of 12 unfilled positions.